



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ANDERSON COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Anthony Stratton, County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Anderson County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
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Honorable Anthony Stratton, County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have A Written Agreement To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 1999, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 5, 1999

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Grants	\$	24,745	
State Fees For Services			8,499
Fiscal Court			6,066
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	397,142	
Usage Tax		1,398,873	
Tangible Personal Property Tax		1,110,844	
Licenses-			
Fish and Game		8,220	
Marriage		5,520	
Occupational		21,278	
Deed Transfer Tax		48,875	
Delinquent Tax		88,040	3,078,792
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	14,144	
Real Estate Mortgages		36,269	
Chattel Mortgages and Financing Statements		49,430	
Powers of Attorney		1,380	
All Other Recordings		25,750	
Charges for Other Services-			
Miscellaneous		4,174	
Copywork		4,815	
Clerk Liens		4,245	
Title Applications & Handicap Parking		9,780	149,987
Other:			
Filing Fees	\$	2,940	
Miscellaneous		552	
Refunds		14,427	
Postage		1,046	
Notary Bonds		856	19,821
Interest Earned			4,546
Gross Receipts (Carried Forward)	\$		3,292,456

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 3,292,456

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 292,152	
Usage Tax	1,356,896	
Tangible Personal Property Tax	434,998	

Licenses-

Delinquent Tax	13,008	
Legal Process Tax	19,311	
Candidate Filing Fees	1,440	\$ 2,117,805

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 97,411	
Delinquent Tax	9,710	
Deed Transfer Tax	46,431	
Occupational Licenses	20,214	173,766

Payments to Other Districts:

Tangible Personal Property Tax	\$ 534,002	
Delinquent Tax	41,393	575,395

Payments to Sheriff 3,996

Payments to County Attorney 14,638

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$ 142,677	
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Contracted Services-

Fish and Game	8,069	
Printing and Binding	1,866	
Binding and Restoration	24,973	

Other Charges-

Conventions and Travel	1,692	
Dues	550	
Postage	4,509	
Office Supplies	11,586	
Bond Insurance	906	
Miscellaneous and Notary Bonds	760	
Equipment Repair and Service Contract	1,491	
Reimbursements	14,645	

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 1998
(Continued)

Disbursements (Continued)

Capital Outlay-			
Office Equipment	\$	285	
Equipment Lease		16,527	
Equipment Purchase		<u>1,736</u>	\$ <u>232,272</u>
Total Disbursements			<u>\$ 3,117,872</u>
Net Receipts			\$ 174,584
Less: Statutory Maximum			<u>48,726</u>
Excess Fees			\$ 125,858
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 1998			\$ 122,258
Payments to County Treasurer- February 16, 1999	\$	121,886	
May 28, 1999		<u>372</u>	<u>122,258</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

ANDERSON COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1998
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The depository institution has made such a pledge, and the depository institution's board of directors or loan committee approved the pledge. However, the depository institution did not have a written agreement with the County Clerk.

Note 4. Grant

The County Clerk received a local records indexing grant from the Kentucky Department for Libraries and Archives in the amount of \$24,745. Interest was received in the amount of \$228. Funds totaling \$24,973 were expended during calendar year 1998.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 1998 are:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Term of Agreement</u>	<u>Ending Date</u>	<u>Principal Balance December 31, 1998</u>
Copier	\$ 180	36 months	October 2000	\$ 3,960
Computer Software and Equipment	\$1,185	48 months	July 6, 2001	\$42,600

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COMMENT AND RECOMMENDATION

ANDERSON COUNTY
HAROLD RITCHEY, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

The County Clerk Should Have A Written Agreement To Protect Deposits

The County Clerk maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The County Clerk had a bank balance of \$305,347; FDIC insurance of \$100,000; and securities pledged of \$250,000 as of April 7, 1998. Even though the County Clerk obtained pledged securities of \$250,000, the pledge was not evidenced by a written agreement. We recommend the County Clerk enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

Tried to have agreement in place by Jan. 1, 1998, but due to bank not agreeing to the Auditor's Office standard agreement, it took several months to reach an acceptable agreement since we were waiting on a ruling from the IRS.

PRIOR YEAR:

The County Clerk Should Have A Bank Approved Agreement To Protect Deposits

The County Clerk maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The County Clerk had a bank balance of \$242,603; FDIC insurance of \$100,000; and securities pledged of \$250,000 as of December 31, 1997. Even though the County Clerk obtained pledged securities of \$250,000, the pledge agreement was not approved by the board of directors of the depository institution or its loan committee. We recommend the County Clerk see to it that the pledge agreement is approved by the board of directors at the depository institution or reason for it not being done so. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Management's Response:

Will request the bank to approve the agreement and list in the minutes of the meeting.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Anthony Stratton, County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Anderson County Clerk as of December 31, 1998, and have issued our report thereon dated October 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Anderson County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Anderson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Anthony Stratton, County Judge/Executive
Honorable Harold Ritchey, Anderson County Clerk
Members of the Anderson County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 5, 1999

